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Participation and Poverty Reduction: Issues, Theory, and New Evidence from South Africa

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There exists a growing view that local communities and beneficiaries should be involved in the development, implementation, and monitoring of interventions designed to reduce poverty. One motivation for this view is that beneficiary participation carries with it intrinsic value; that is, there is inherent value in ensuring that individuals have a voice in activities that will affect their well being. Further, participation can contribute to empowerment, such as that gained through enhanced organizational capacity, individual learning processes, or increased political voice.

This paper addresses whether, in addition to its intrinsic value, participation serves an instrumental function—does it enhance the efficacy of interventions designed to reduce poverty?

Understanding the Mechanism Through Which Community Participation Improves Antipoverty Interventions

The paper begins by laying out a simple analytical framework for discussing the issues and uses this as a basis for placing a body of literature that has grown up around the topic. At the heart of this framework is a trichotomy, three actors involved in the provision of antipoverty interventions: financiers (those who provide funds for an intervention), providers (those who implement interventions), and beneficiaries. In this three-actor context, participation is a process by which beneficiaries become involved in provision, and possibly finance.

What happens when the poor move from being passive beneficiaries to being closely involved in the provision of interventions? One benefit of beneficiary participation lies in the prospect of reducing costs. This is likely to occur where knowledge of

local conditions is especially important, where moral hazard or adverse selection concerns play a role, or where verification of actions is needed. Communities may also have ways of lowering costs that are not available to outsiders. A further benefit is that beneficiary participation offers the potential for the design and implementation of interventions that more closely reflect the preferences of the population that they are designed to serve. That said, there is a risk that emphasis on community participation—for example, by requiring up-front contributions by communities themselves—may result in a reduction in the number of projects that reach the poorest of the poor. There is also a risk that community participation may result in the capture of benefits by local elites, again to the detriment of the poor. Faced with such a concern, financiers may be tempted to exert control over projects. But this may be self-defeating. The failure to delegate true decision-making authority (allowing for de jure but not de facto participation) may result in beneficiaries being reluctant to act because of concerns that they will be subsequently overruled. Further, akin to

problems sometimes encountered with pure decentralization, devolving all aspects of implementation to communities may not be desirable. The paper presents evidence that suggests that antipoverty interventions work best when their implementation is characterized by a

judicious mix of centralized involvement and community participation.

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The South Africa Case Study

This analytical framework is complemented by an econometric case study of the implementation of public works projects in South Africa's Western

Cape Province. The data come from a study conducted between 1996 and 1998 by IFPRI and the Southern Africa Labour and Development Research Unit (SALDRU) at the University of Cape Town.

This study collected project-level quantitative and qualitative data on, among other things, diverse institutional arrangements between government, communities, and the private sector. A unique feature of these data is that it is possible to identify variations in both de jure and de facto levels of participation. In addition to a wide number of controls for locality characteristics, this study collected extensive data on project outcomes, including the ability of the projects to utilize publicly provided funds in a cost-efficient manner (the amount spent to create one day of employment; the cost to the government of transferring funds to the poor; and the level of cost overruns), the extent to which project benefits flow to individuals in the form of wages and training, and the extent to which these projects target particular groups within these localities.

Two issues underlie the estimation strategy used in this paper: the need to take into account a number of econometric concerns (notably, nonrandom program placement and the endogeneity of community participation). Evidence is presented that shows that there is no correlation between the localities in which projects were sited and observable characteristics of those communities. Measures of community fractionalization—such as the extent of racial and political diversity—are used to predict the likelihood of community participation in these projects. These

variables are found to have strong associations with the likelihood of participation while generally having no direct impact on project outcomes. However, accounting for program placement and the endogeneity of participation has little effect on the parameter estimates that are obtained.

By contrast, how participation is measured is particularly important. In general, measures of de jure participation are less strongly associated with project outcomes than are measures of de facto participation. De facto participation lowers the ratio of project to local wages (provided selectivity biases are taken into account); increases the labor intensity of projects that provide community buildings, roads, or sewers; and lowers the cost of creating employment and of transferring funds to poor individuals. There is weak evidence to suggest that where communities advise but do not make decisions, the percentage of employment going to women rises. There was no evidence that community participation increases cost overruns or the ratio of training to employment created, an exception to the former being the case of environmental improvement activities (where the effect is not especially well measured). The general conclusion is that in these projects, de facto community participation is associated with improved project cost effectiveness and better targeting towards the poor.

Keywords: participation, South Africa, public works, targeting

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